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NSC BRIEFING

CURRENT SITUATION IN HUNGARY

I. Economic, political woes make Hungary weakest Satellite. "New course" failing; dissension in Party; open popular resentment.

A. Since "new course" start (July 53), industrial expansion plan cut from 16% to 1%.

B. Still, steel short 90,000 tons, coal 450,000 tons.

C. Means hard winter, no consumer goods increase.

D. 40% of peasants quit collectives this year -- farm program chaotic.

II. Results:

A. Unemployment up - 200,000.

B. Inflationary pressures growing -- being met only by releasing inven-

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[redacted] ILLEGIB

A. Touting "Patriotic People's Front," deploring past "mechanical" application Soviet methods.

B. Free purged "national deviationists":

Kadar (former Politburo, Interior Minister) restored in October; Kallai (ex-Foreign Minister) reportedly released.

C. USSR returned all 6 joint companies 6 November (bauxite mines, aluminum, shipping, airline, oil).

IV. Dissension in Party:

A. [redacted] ILLEGIB

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V. Increased popular opposition:

A. Concessions have brought cries for more, also open criticism.

B. However, resistance unorganized, passive--absenteeism, shoddy workmanship, withdrawal from collectives, resistance to quotas, etc.

VI. Neither Party woes nor popular opposition threaten Soviet domination.

A. Party opposition doesn't wish overthrow Communist rule.

B. Popular opposition cannot organize for overthrow, since --

1. Former political parties gone, leaders executed or exiled.

2. ~~Army~~, security forces still reliable.

3. 30,000 Soviet troops, three air divisions in Hungary.

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C. Prospects for uprising small, attempt would fail.

VII. 25X1C

[redacted]

A.

25X1C

[redacted]

B.

VIII.

[redacted]

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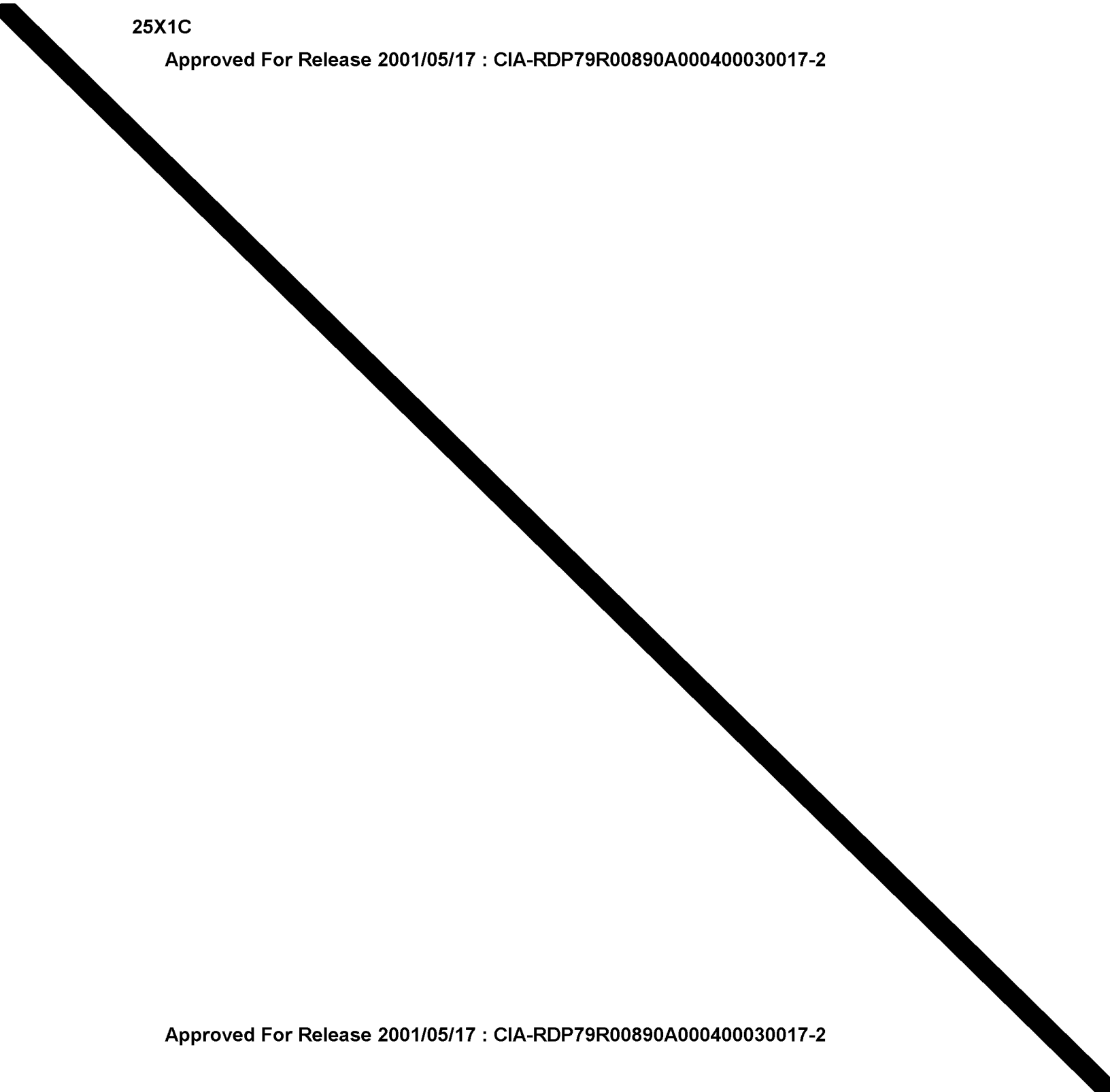

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